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4. EFFORTS CONTINUING TO LINE UP INDONESIAN ARMY BEHIND SUKARNO

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[Redacted]

Indonesian army headquarters announced on 26 February that it is prepared to receive and discuss views of the armed forces concerning President Sukarno's "concept." The announcement stated that the armed forces are loyal to Sukarno as supreme commander and will "give his concept full consideration." The joint chiefs of staff are scheduled to hold a special session during the coming weeks to discuss the president's plans.

The American ambassador in Djakarta has reiterated that the implementation of President Sukarno's "concept" depends on the attitude of the armed forces. In this connection, he reports that it is significant that the Non-Coms' and Privates' Association has announced its undivided support for Sukarno's proposal. [Redacted] Sukarno will depend on noncommissioned officers rather than the officer corps to provide army support for his plan. The association was organized in 1956 and is reportedly heavily infiltrated by Communists.

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Comment

The officer corps, although loyal to Sukarno, is believed to be sharply divided on the extent to which it should endorse his demands for Communist participation in the government. [Redacted]

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5. LAOTIAN GOVERNMENT REPORTEDLY REJECTS PATHET PROPOSAL ON CHINESE COMMUNIST AID

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Prime Minister Souvanna Phouma has rejected the Pathet Lao demand that Laos accept aid from Communist China, according to the French Foreign Ministry.

On 25 February, Souvanna reportedly gave the Pathet Lao an ultimatum that they must signify within five days whether or not they are willing to place the two northern provinces and Pathet forces under the command of the royal government in return for participation in a coalition government. Laotian officials are reportedly thinking of presenting the problem to the United Nations if negotiations break down.

Comment

The Pathets would be reluctant to sacrifice the gains they have already won in negotiations and they may reason that they could induce Laos to accept Communist bloc aid once a coalition government has been set up. They might, therefore, accept the government's terms if a formula can be negotiated which would allow them to retain real control of their troops after their integration into the Laotian army.

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6. THAI GOVERNMENT PARTY PILING UP BIG ELECTORAL LEAD

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The Thai government's Seri Manangkhasila Party (SMP) is far out in front in early returns from the elections for the 160 elective seats in Thailand's unicameral legislature. Leftist candidates, whose campaign features attacks on the United States and Thailand's pro-Western foreign policy, are trailing far behind, although they may pick up a few seats in northeastern Thailand, where antigovernment sentiment is the strongest.

Unofficial tabulations from 53 out of 71 provinces show the SMP has captured 55 seats to 17 for the conservative Democrat Party, the only opposition party of any importance. Twenty-one other seats went to candidates who are likely to support the Phibun regime.

The SMP's lead is likely to become even more impressive as the rest of the rural vote comes in. Village headmen are expected to deliver large blocs of votes to the government party.

The closest contests were for Bangkok's nine seats. The SMP won seven and the Democrats two. Prime Minister Phibun and Democrat leader Khuang, whose party is also committed to a policy of close ties with the West, were the most prominent winners.

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7. YUGOSLAVIA REMAINS ADAMANT IN DISPUTE
WITH MOSCOW

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In his speech to the Yugoslav parliament on 26 February, Foreign Minister Popovic clearly affirmed his country's refusal to back down in its dispute with the USSR, but professed a strong desire to carry on good state relations with the Soviet bloc countries. Popovic characterized Stalinism in the period since World War II as inflicting "incomparably greater damage to the cause of socialism than all imperialist conspiracies put together." Implying that Belgrade might now step up its ideological attacks, he pointed out that its recent silence had been misinterpreted by Moscow as weakness.

Popovic decried Moscow's withholding of investments promised to Yugoslavia. He observed that the Soviet attitude toward Belgrade was engendered in large part by Moscow's disappointment in its expectations that Yugoslavia would join the "so-called Socialist camp." In contrast Popovic observed that in spite of differing political systems, Yugoslav co-operation with the West was becoming stronger, and he praised "precious" American economic aid.

The foreign minister's statements on general world problems reflected a more even balance between East and West than did the Yugoslav view in 1956. Ambassador Riddleberger has suggested that this, along with Popovic's failure to endorse the Soviet position on German policy in a recent press interview, may represent a threat to Moscow of withdrawal of support on international issues and also a hint to the West that Yugoslav positions may be revised in its favor.

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8. MOROCCAN-FRENCH RELATIONS MAY BE DETERIORATING

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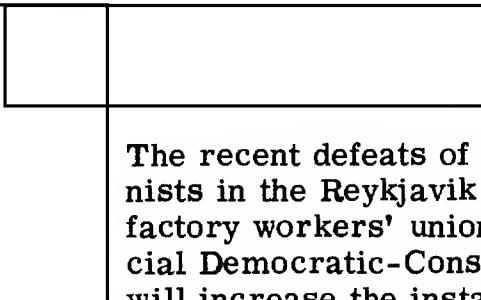
The American embassy in Rabat considers that recent diplomatic exchanges of the French and Moroccan governments characterize the dangerous tensions in their relations which could eventually lead to another open clash between the French army and the Moroccan government and people.

Moroccan assistance to the Algerian rebels remains the basic friction in Moroccan-French relations. The French hope by economic pressures on Rabat to limit this aid, while the Moroccan government acutely fears that France might use its 80,000 troops in Morocco to overpower the Moroccan army and attempt to resume control over the administration. The Moroccan government rejected a double protest delivered by the French chargé on 23 February objecting to Spain's representation of Moroccan interests in Latin America and Moroccan guerrilla activity in Mauritania.

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9. COMMUNIST DEFEATS IN ICELANDIC TRADE UNION ELECTIONS

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The recent defeats of Icelandic Communists in the Reykjavik carpenters' and factory workers' union elections by Social Democratic-Conservative coalitions will increase the instability of Iceland's coalition cabinet made up of the Progressive, Social Democratic, and Labor Alliance (Communist) parties.

The Communists, however, still retain a strong position in labor. They control the Icelandic Federation of Labor and several important unions--among them the largest in the country, the Unskilled Workers' Union in Reykjavik, which includes dock workers, truck drivers and petroleum distribution employees. The Social Democratic gains are chiefly the result of Conservative support and reflect anti-Communist sentiment more than confidence in the Social Democratic Party. The Communists retain the capability to bring about damaging strikes at a time when the economy is impaired by serious inflation.

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10. AFGHANISTAN SEEKS US PETROLEUM AID

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Afghan Foreign Ministry adviser Aziz and transport director Yaftali told an American official on 26 February that Prime Minister Daud is very anxious to

have a Western oil company establish without delay a system for the supply and distribution of petroleum products in Afghanistan. Aziz and Yaftali had previously spoken of the American CALTEX and STANVAC companies. At this meeting they also indicated an interest in Burmah Shell, a British concern, saying it was important for Afghanistan to become involved with allies of the United States.

Comment

The use of petroleum products--particularly gasoline--may have reached a volume greater than the Afghan distribution system, a government monopoly, can handle. The Afghan leaders appear to hope to obtain Western assistance in solving this problem.

Soviet deliveries of gasoline have increased sharply in recent years, while Western deliveries have remained constant at about 3,000,000 imperial gallons a year. The granting by Afghanistan of an important petroleum distribution role to a Western company might prevent the USSR from further expanding its activities in this field.

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ANNEX

ILLEGIB



Watch Report 343, 27 February
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet Bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet Bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the Orbit in the immediate future.
- C. A deliberate initiation of hostilities in the Middle East is improbable in the immediate future. Unsettled issues and continuing tensions in the area constitute possibilities for violence.

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